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A New WTO Chief: Director or General?

By Evan Rogerson

SYNOPSIS

The appointment of the first female and first African director-general of the WTO has drawn attention to the DG's role, while raising hopes for reform and renewal of the world trade body. What can the DG do in a position with little formal power?

COMMENTARY

LEADERLESS FOR almost a year, the World Trade Organisation (WTO) has a new director-general from 1 March 2021. Dr Ngozi Okonjo-Iweala's appointment has attracted considerable attention, not only because she is the first woman and the first African to head the WTO, but also because of hopes that she can reboot the troubled global trade body.

How realistic are those expectations and how much difference can the new DG make? Experience suggests the answer: less than many outside observers may expect, but enough to be significant given even moderately positive external circumstances.

Director or General?

The basic point about the post of DG is that it has no formal power apart from heading the Secretariat. With its origins in the improvised arrangements of the GATT, the WTO has not managed to become a full-fledged international organisation on the level of its Bretton Woods sisters, such as the International Monetary Fund (IMF) or the World Bank.

Member governments jealously protect the "member-driven" principle and push back at any suspicion of overreach by the Secretariat or its head. In a far more favourable time for the WTO, DG Renato Ruggiero (1995-99) was rebuffed by members for

attempting to call meetings that were seen as beyond his mandate. Frustration at this and similar constraints contributed to his decision not to seek a second term.

Unlike the European Commission, the WTO Secretariat, and its director-general, have no power of initiative. Furthermore, all significant decisions are taken by members, on the basis of consensus. Unlike the World Bank or IMF, it does not control important financial resources or a network of representatives around the world. It is small, less than 700 people, based only in Geneva, and dependent on annual approval by members of its modest budget.

The reality of these limits contrasts strikingly with the myth of the WTO as a powerful and unaccountable body fostered by critics and by governments eager to offload their own responsibilities, like the Trump administration blaming the WTO for its China problem.

Relying on DG's Soft Power

Despite the post's lack of hard power or even a defined role, some past DGs have been able to exercise considerable influence by skilful use of the various forms of soft power that it potentially offers. The incumbent normally has a high public profile and access to senior political levels as well as to key global forums like the G20.

This means that the DG should be well placed to show the sort of leadership in defending the multilateral system that has been largely absent in its present crisis. The advocacy role extends to media involvement as well. The DG is the only person who can credibly claim to speak for the WTO as a whole, though always under the watchful eyes of member governments.

The DG's convening power is also important, though it is not unlimited. It was further limited by the previous DG's renunciation of the use of the "Green Room", which had been depicted in a sinister light.

It was in fact simply a process of informal consultation by the DG with ad hoc groups of members to resolve particular issues. The new DG would be well advised to make use of it again, whatever she chooses to call it.

A Balancing Act

The DG has to strike a careful balance between the global face of the role and the need to cultivate the Geneva WTO Ambassadors. Their reporting and advice inform government positions, and DGs who have failed to sustain good working relationships with them have been less effective. In particular, the DG's relationship with the annually elected Chair of the General Council is critical.

Peter Sutherland, who oversaw the conclusion of the Uruguay Round and became the WTO's first DG, described the role as that of a facilitator. The key prerequisite for success in this role is trust.

A DG who succeeds in establishing themselves as an honest broker can have a

crucial, though always necessarily discreet, influence on the course of negotiations and on the confidence that members have in the organisation.

At critical points in past negotiations members have often turned to the DG to help find solutions and broker compromises. They need to be able to do so again.

WTO's Heady Challenges

The issues that the WTO faces now are fundamental ones. Is it still possible to negotiate multilaterally? The fisheries subsidies and agriculture processes are not encouraging. If plurilateral approaches are more promising, how are they to be reconciled with the multilateral system?

India and South Africa have recently fired warning shots about their legal standing. One immediate issue is how the WTO can best assist recovery from COVID. A potential tussle over intellectual property rights and vaccines is something the DG will have to approach more carefully than her recent statements suggest.

Looking further ahead, the relationship between trade rules and climate change will also be an increasingly important focus of Dr Okonjo-Iweala's term. There is little sign that the WTO system is prepared for the challenge.

WTO Reform: Much Touted, Little Understood

WTO reform is much touted but little understood. The new DG is committed to advancing it, but the key issues involved arise from the deepest fissures in the global trade and economic landscape—the US-China confrontation, the future of developing-country status, the credibility and enforceability of WTO rules. It will not be easy to bridge these gaps without some improved understanding among key governments.

Sutherland was able to broker the deal that concluded the Uruguay Round not only because of his own great skills but also because the key players were ready to do a deal. This is far from being the case now. The atmospherics may have improved somewhat with the change of US administration, but the substantive issues remain.

No one should expect the DG to solve deep-seated international problems with major implications for domestic politics. However, if Dr Okonjo-Iweala succeeds in establishing herself as an impartial facilitator, she may be able to play a crucial role in the bridge-building that has to take place across the membership spectrum. Everything depends on the willingness of governments to work within, rather than against, the multilateral system.

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